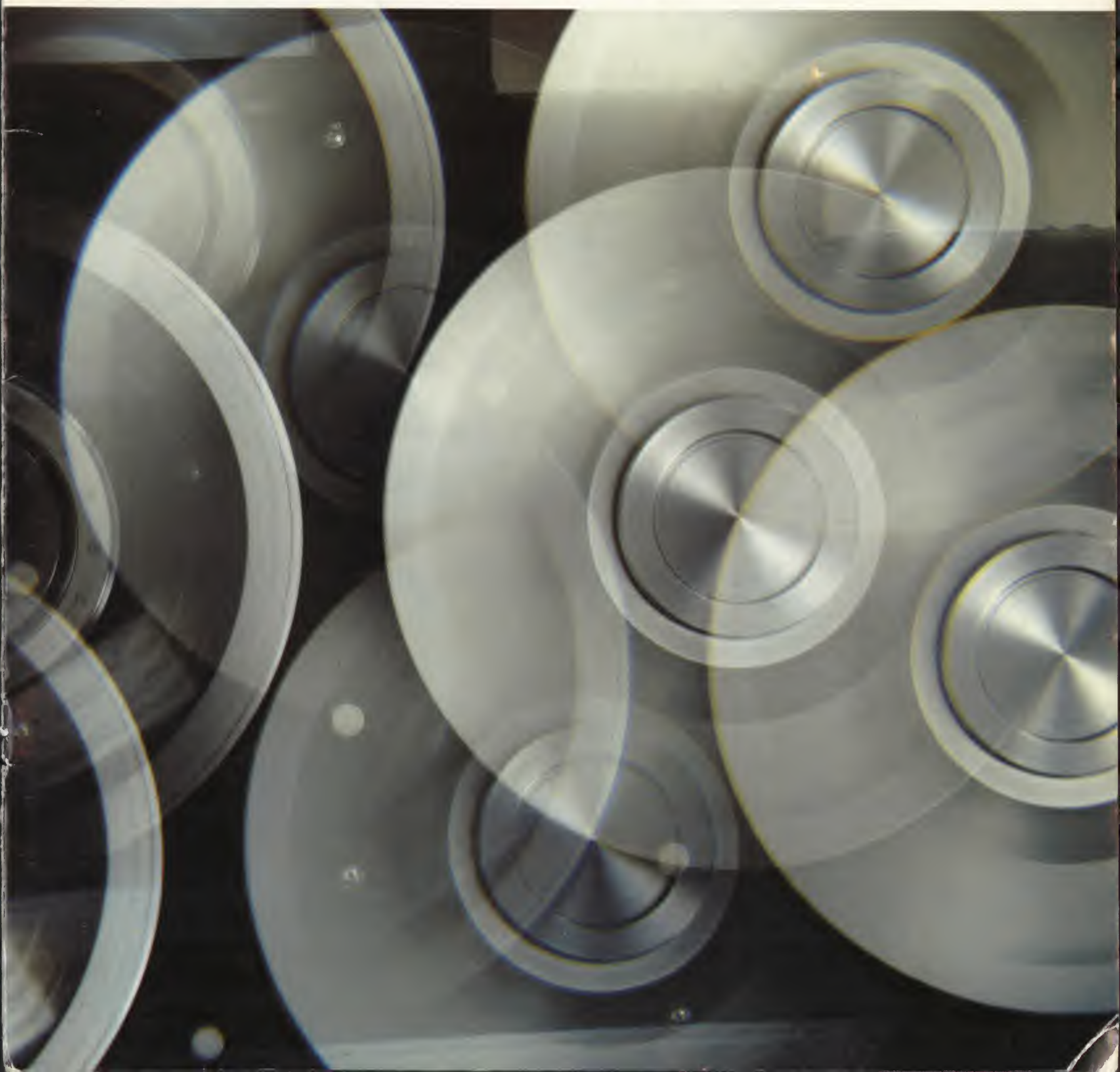
BancOhio Corporation

1975 Annual Report



On January 21, 1976, Robert G. Stevens was elected Chairman of the Board, President, and Chief Executive Officer of BancOhio Corporation by the Directors of the multi-bank holding company.

Prior to accepting the senior position with BancOhio, Mr. Stevens served as President and Chief Executive Officer of Old Stone Corporation, Providence, Rhode Island, and Old Stone Bank, its primary subsidiary.

Mr. Stevens developed valuable knowledge in banking and finance as vice president of First National City Bank in New York, having been responsible for profit planning, asset and liability management, and cost control functions. As well, he directed all services to banking organizations as a partner in the public accounting firm of Touche Ross & Company in New York.

A 46-year-old native of Illinois, Mr. Stevens holds a master of science degree in accounting and a Ph.D. in accounting finance and economics from the University of Illinois.

Cover: BancOhio's operating personnel are dedicated to the task of improving service to our customers through the use of computer technology.

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Financial Highlights

For The Year	1975	1974	Increase (Decrease)
Income before securities losses and effect of change in accounting method	**$ 24,044,528**	$ 22,716,054	$ 1,328,474
Per share	**3.29**	3.11	.18
Net income	**23,673,730**	27,200,650	(3,526,920)
Per share	**3.24**	3.72	(.48)
Cash dividends	**8,441,465**	7,855,275	586,190
Per share	**1.155**	1.075	.08
At Year-End			
Assets	**$3,215,538,540**	$2,944,404,255	$271,134,285
Deposits	**2,656,710,064**	2,414,085,410	242,624,654
Loans	**1,421,845,436**	1,485,393,706	(63,548,270)
Valuation reserve for loan losses	**13,361,769**	13,408,215	(46,446)
Shareholders' equity per share	**31.19**	29.10	2.09
Affiliate banks	**40**	40	—
Banking offices	**204**	199	5

To Our Shareholders:

BancOhio Senior Management: (standing left to right) Alan D. Johnson, Vice President, Investment Management; Robert M. Edwards, Vice President, Legal and Regulatory; Dan L. Huffer, Vice President and Treasurer; James W. Wentling, Vice President, Marketing Services; (seated left to right) James C. Hoover, Vice President, Credit Services; and John L. Burgoon, Senior Vice President and Secretary.

In 1975, BancOhio and its 40 affiliate banks were able to achieve consolidated operating earnings of $3.29 per common share, an increase of six percent over the $3.11 per share earned in 1974.

During the past three years, our national and state economies have been buffeted by record levels of government spending, deficit financing, high interest rates, inflation, and unemployment. The resulting recession has had such an adverse effect on the banking industry as a whole that some explanation seems required as to why BancOhio has been able to maintain headway in its earnings against this tide of adverse circumstances.

BancOhio, of course, has not escaped all of the problems resulting from an expansionary period which has been followed by recession and continuing inflation. During 1975, our affiliate banks had net loan charge-offs of $12,259,000, an increase of $3,508,000 over 1974 and nearly six times greater than that experienced during the prosperous year of 1972. As a result of these increased charge-offs, our provision for possible loan losses, charged against 1975 operating earnings, was $12,213,000, compared to $7,061,000 during the previous year.

While the economy showed some improvement during 1975, many of the recessionary aftereffects are still with us. The real estate industry has many problems to solve before it can be declared in a state of good health. State and local governments and many major industries continue to show signs of stress. While most companies and individuals have improved their financial positions over the past twelve months, many have strained their reserves and would be ill-prepared to face worsened economic conditions. An economically vigorous 1976 would strengthen the financial position of our customers, and this would consequently improve chances for the recovery of write-offs made in the past two years.

BancOhio's involvement in real estate was more at the home mortgage level, rather than in real estate investment trust (REIT) or real estate development lending which has had such an adverse impact on the earnings of many banks and holding companies. Our banks hold substantial

consumer savings and consumer loans, and individuals have fared better during this recessionary period than have businesses. Our recent efforts have been primarily directed to building a strong bank holding company dedicated to serving Ohio. As difficult as our problems have been here at home, they have not been as adverse as national, international, and non-banking expansion have been to some holding companies during the past year.

Our banks have also been adversely affected by the current stresses being experienced by state and municipal securities resulting from high interest rates and the decline in the credit standing of some government units. The market value of our state and municipal securities on December 31, 1975, was $51,152,000 below book value. The book value will be collectible at maturity, but the market value of the portfolio of securities at any point in time is a function of interest rates and the confidence of the financial markets in this type of security. Banks in the BancOhio system hold a total of $1,830,000, at amortized book value, in general obligation bonds of New York City, none of which was in default as to principal or interest as of the date of this report. We expect to reduce our state and municipal holdings during 1976, owing both to the state of the market for tax-exempt securities and because tax-exempt income is not attractive to us in our current tax position.

We expect that our efforts in 1976 will be directed more to improving the operating effectiveness of our company than to further merger and acquisition activities. There are only two acquisitions pending at this time. The shareholders of The Geauga County National Bank of Chardon, Ohio have approved a plan by which the bank will become an affiliate of BancOhio subject to a favorable decision which we are awaiting on our application from the Board of Governors of the Federal Reserve System. As well, the shareholders of The Medina County Bank, Lodi, Ohio have approved an agreement which provides for the merger of that bank into our affiliate, The Ohio State Bank of Medina. We are presently awaiting a decision on this application from the Federal Deposit Insurance Corporation. The State of Ohio has already indicated its approval of the merger, contingent on FDIC action.

The aftermath of the recession is not yet behind us. While a brisk recovery in 1976 would strengthen the financial position of our customers, they would be adversely affected if the recovery created high interest rates and more inflation. Possible changes in tax laws, accounting rules, and branching regulations, along with inevitable increases in regulation, demand that we remain flexible and conservative in our policies and programs in 1976. Increased competition, development of electronic funds transfer services, and the absorption of the cost of our new headquarters building will likewise demand the best in managerial efforts during the coming year.

Of particular importance to our shareholders was the increase in cash dividends paid during 1975. The quarterly rate was increased to 30 cents in the fourth quarter. In addition, a year-end special dividend of three cents per share was declared, bringing total dividends paid in 1975 to $1.155 per share, or eight cents more than the $1.075 paid in 1974.

On January 21, 1976, the Board of Directors elected Robert G. Stevens a Director, Chairman of the Board, President and Chief Executive Officer of BancOhio Corporation. Mr. Stevens brings to his new position a strong and diversified background in the fields of banking and finance, and a proven capability to introduce effective new financial and marketing programs to meet the growing needs of both commercial and retail customers. A brief summary of Mr. Stevens' background can be found on the inside front cover of this Annual Report.

The officers, directors and staff of BancOhio and its 40 affiliate banks have performed well throughout an unusual year. We look forward to further improving our operating effectiveness to successfully meet the challenges of 1976.

John L. Burgoon

John L. Burgoon
Senior Vice President and Secretary
February 4, 1976

A Profile of BancOhio Corporation

Cognizant of the agricultural industry's contribution to the Ohio economy, BancOhio provides affiliate banks with specialized lending and leasing services for this important sector of the economy.

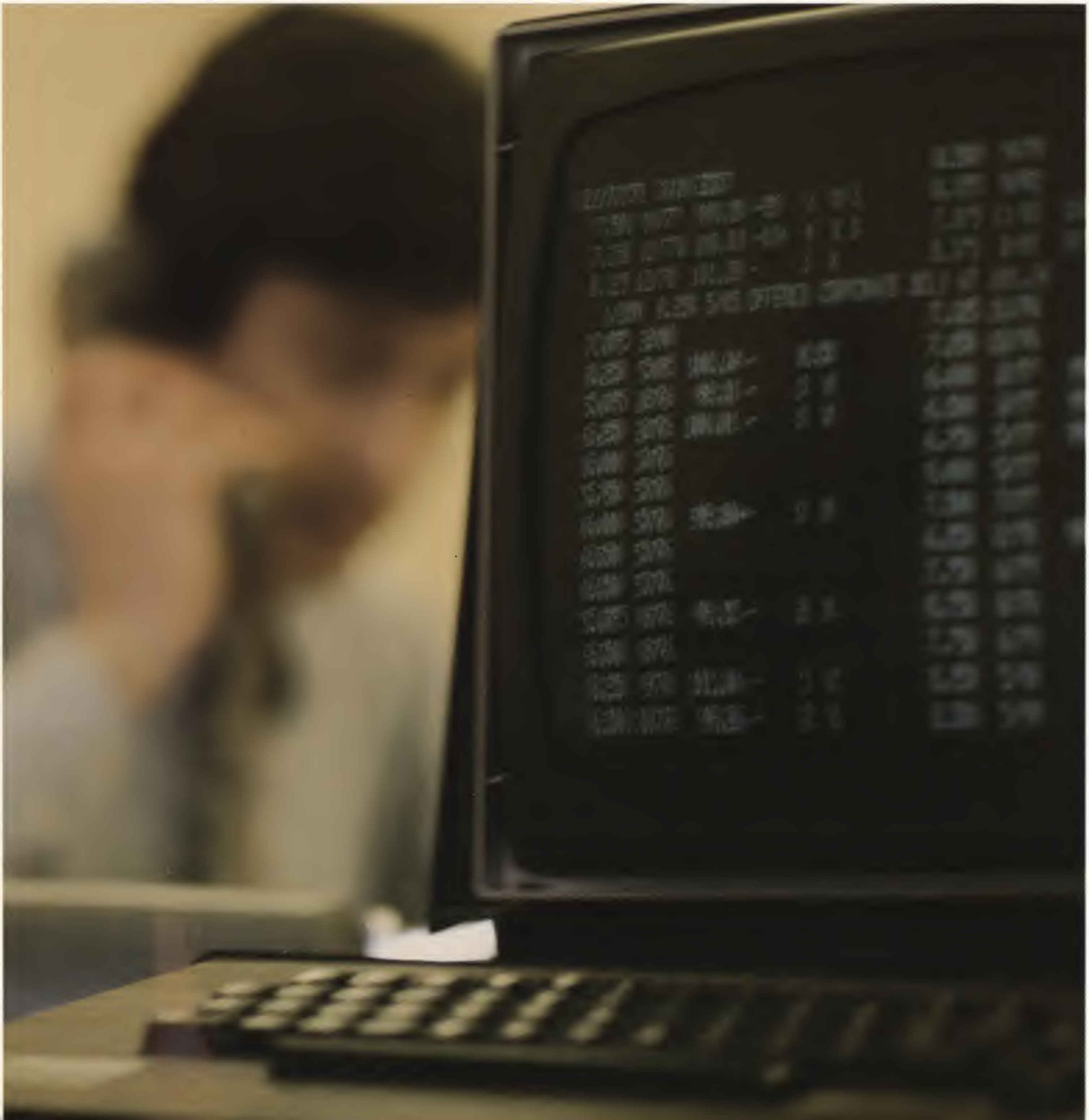
Organized in 1929, BancOhio Corporation was the first multi-bank holding company in Ohio. Today, with 40 banking affiliates and combined assets in excess of $3 billion, BancOhio ranks among the 50 largest banking organizations in the nation. It is the only state-wide banking entity in Ohio and offers complete banking services to the majority of the state's 10.5 million people.

The primary purpose of BancOhio since its organization has been to serve the financial needs of Ohio—its people and its economy. Through the years, Ohio's growth has created a more complex and diversified economy which has produced both expanded demands and increased opportunities for the state's financial institutions. BancOhio strives to meet these challenges successfully and profitably with a combination of dedicated personnel, skilled management, and advanced technologies.

BancOhio's affiliate banks are located in the state's largest metropolitan areas and in some of its smaller towns and villages. The banks provide a broad range of diversified retail and commercial banking services extending from consumer and business demand and time deposits to installment, real estate and commercial loans, and leasing operations, as well as a variety of fiduciary and trust services which are provided by eleven affiliates. The 204 banking offices are evidence of the commitment to bring banking convenience to markets serving two out of three Ohioans. BancOhio serves regions where agriculture dominates and regions where the economy is highly

Growing and on the move, the citizens of Ohio's major metroplitan centers are served by BancOhio affiliate banks offering a variety of retail and commercial services.

The combination of professional investment specialists and internal computer systems enables BancOhio to structure its asset and liability management programs to meet changing market conditions on behalf of all 40 affiliate banks.



As Ohio's only statewide banking organization, BancOhio has well positioned itself in the retail market through the installation of sixty 24-hour "Anytime Bank" machines in affiliate banking offices across the state. (Top)

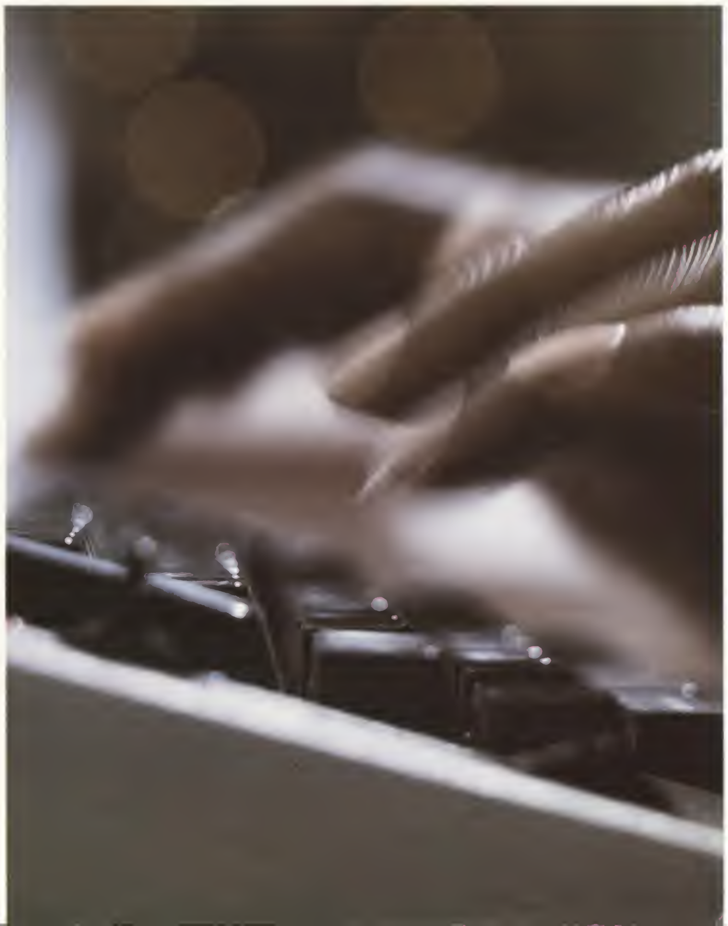
Adults residing in the Columbus area achieve self-confidence and special job training by participating in the Clerical Skills Program offered by The Ohio National Bank, BancOhio's largest bank.

industrialized. Some of its affiliate banks place special emphasis upon retail banking services, while others specialize in serving commercial, industrial and agricultural customers. This diversification serves as a broad base for BancOhio to profit from the business potential in areas of strong economic growth with protection from the uncertainties resulting from economic downturn in others.

BancOhio's more than 14,000 shareholders, living in 85 of Ohio's 88 counties, 49 states, the District of Columbia, and five foreign countries, have shared in the financial stability and growth of the Corporation through the distribution of dividends in every quarter since its organization.

As a national pioneer in the development of multi-bank holding companies, BancOhio maintains a philosophy of guided autonomy with all affiliates. Each bank operates with a separate management and staff and is supported by the counsel of a board of directors composed of leaders living in the community the bank serves. This permits each affiliate to more effectively relate to local market needs, increasing the potential for growth and profit.

To supplement the affiliate staffs and provide expertise not usually available to individual banks, the holding company staff supports affiliates with special services such as: loan administration; leasing; marketing services; investment management; data processing; trust services; legal counseling; the design and construction of banking facilities and other operational services.



Among many other vital functions, the computerized Operations Center in Columbus records data from affiliate bank sub-centers, located throughout Ohio, on a 24-hour basis.

BancOhio staff services to affiliates are concentrated in the development of more and better services for customers, which creates a stronger and more competitive position for each bank and enhanced profitability for the Corporation. Often complete services, including marketing support, are developed for groups of affiliates at reduced costs. For example, the 24-hour *Anytime Bank* machine provides customers of more than 20 affiliates access to the most needed banking services at any time of the day or night. The corporate *Anytime Bank* interchange program permits customers of participating affiliates to make checking account withdrawals or obtain Master Charge cash advances at any of the 60 *Anytime Bank* machines installed throughout the state.

Additionally, the competitive stance of affiliates is further enhanced by the combined resources of the banks which give each the potential aggregate lending capacity of the entire system, now more than $20 million per customer. This capability is available to few other banks in Ohio. To provide financial services for industrial and commercial customers, international banking services are available to all affiliates through direct-deposit relationships with large, well-established banks overseas.

Addressing itself to the problems characteristic of business in the 1970's, the Corporation continues to develop internal programs designed to increase each affiliate bank's contribution to corporate earnings, while still accommodating the individual market needs. These programs focus upon coordinated asset and liability management planning at the corporate level for all 40 affiliate banks. Supported by internal computer systems,


STATUS

Towers enclosed in travertine marble rise for the mid-1976 completion of the new headquarters of BancOhio and its principal subsidiary, The Ohio National Bank. The 25-story structure will be an office, banking, and shopping complex.

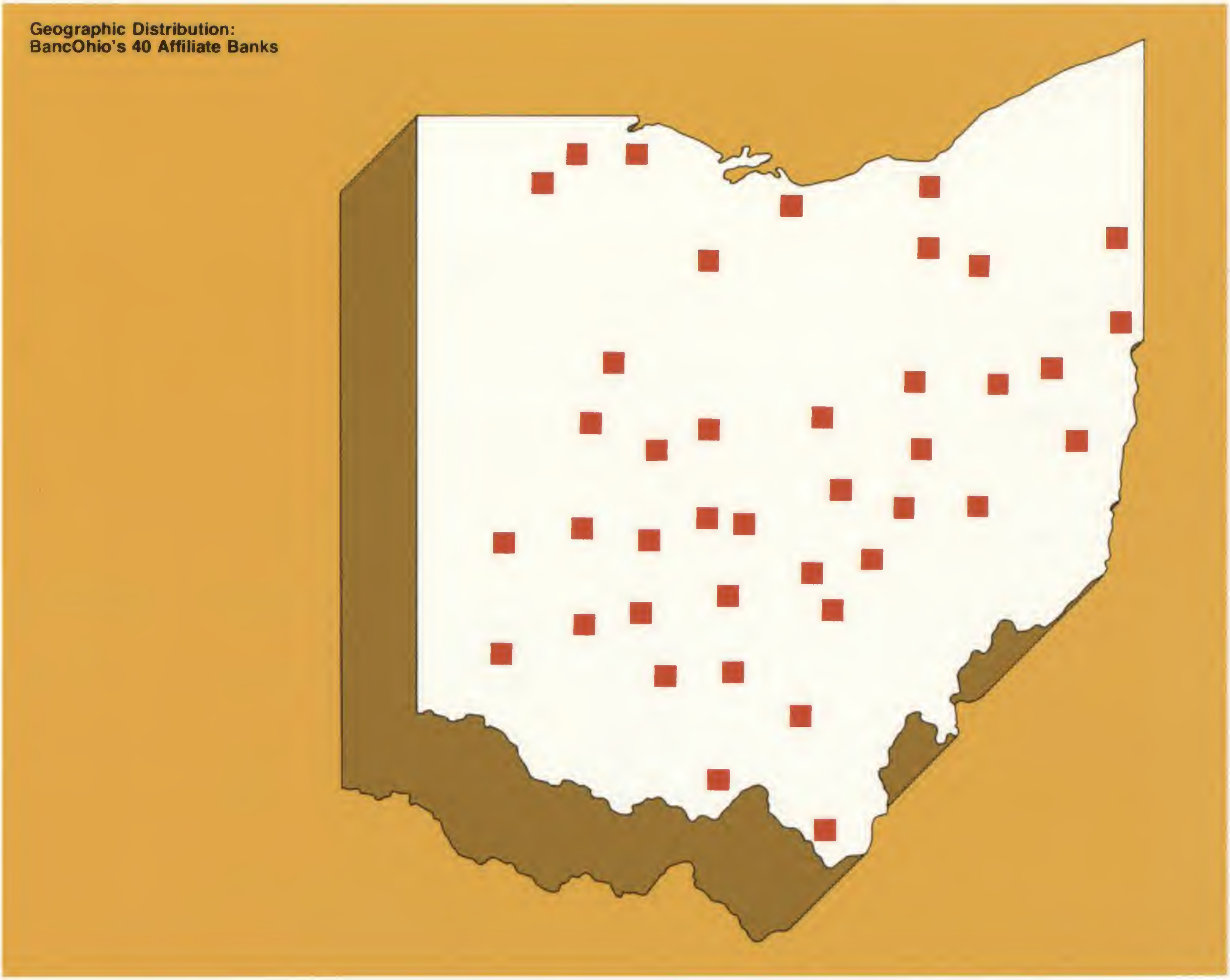
these programs aid the banks in establishing realistic goals; yet, afford the flexibility for corporate management to respond to changing economic and market conditions. As a result, in 1975, when loan demand began to soften, available funds were channeled to the investment portfolio, enabling BancOhio to protect its earnings posture during a very uncertain period in our nation's history. As BancOhio has always sought attractive opportunities for an appropriate return on its investment, so its policies are revised as needed to meet changing economic conditions.

BancOhio looks to the future determined to further its leadership in Ohio banking by strengthening and improving its services to affiliate banks with the goal of increasing corporate earnings and providing a continuing sound, attractive investment to shareholders.

The commitment to respond to the challenges of Ohio's future financial needs is symbolized in the distinctive 25-story office, banking and retail complex now nearing completion in downtown Columbus. The nearly 500,000 square foot complex will accommodate the headquarters of both the Corporation and The Ohio National Bank. Completion and initial occupancy are scheduled for mid-1976. Together with the Operations Center completed three years ago, the new building provides BancOhio with modern, efficient office and operational facilities needed to support its programs for future growth and development.

Tradition, skills, services, and people serving people. Together they comprise the Profile of BancOhio Corporation.

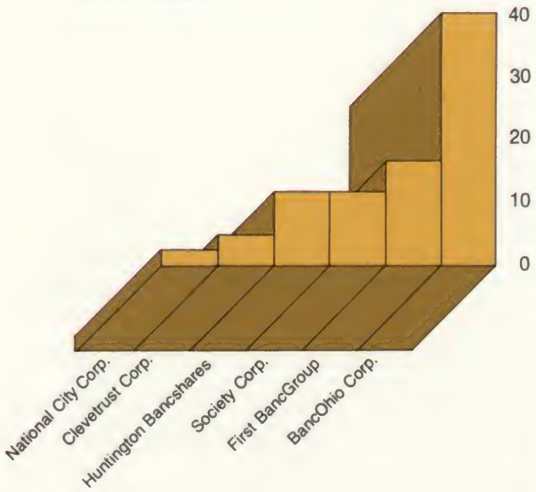
Affiliate Bank Locations



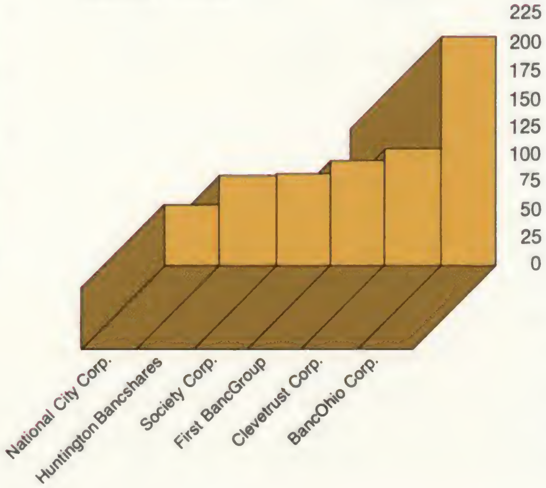
Geographic Distribution:
BancOhio's 40 Affiliate Banks

Comparison of Major
Ohio Bank Holding Companies

Number of
Banks Affiliated



Number of
Banking Offices



Financial Summary

Average Balance Sheet Data:* **Affiliate Banks** **(In thousands of dollars)**	**1975**	**1974**	**Pro Forma 1973**	**Pro Forma 1972**	**1971**
Assets					
Cash and due from banks	**$ 310,118**	$ 315,793	$ 298,091	$ 299,175	$ 280,245
Money market instruments:					
Interest bearing deposits with banks	**128,362**	1,158	100	138	255
Funds sold	**51,683**	116,291	62,749	47,514	29,354
Total money market instruments	**180,045**	117,449	62,849	47,652	29,609
Securities:					
Taxable	**573,899**	425,521	578,094	560,234	439,753
Tax-exempt	**461,415**	468,682	380,949	344,625	316,878
Total securities	**1,035,314**	894,203	959,043	904,859	756,631
Loans (net of unearned income)	**1,426,146**	1,493,572	1,379,728	1,076,041	924,973
Less valuation reserve for loan losses	**13,385**	14,254	15,131	15,487	16,181
Loans-net	**1,412,761**	1,479,318	1,364,597	1,060,554	908,792
Direct lease financing	**17,794**	13,364	6,487	2,594	658
Other assets	**96,509**	84,175	73,666	53,236	51,112
Total	**$3,052,541**	$2,904,302	$2,764,733	$2,368,070	$2,027,047
Liabilities and Shareholders' Equity					
Deposits:					
Demand	**$ 863,182**	$ 875,423	$ 869,791	$ 808,217	$ 745,303
Savings	**865,697**	783,977	723,767	643,711	577,204
Time	**721,191**	702,170	674,845	568,882	426,269
Total savings and time	**1,586,888**	1,486,147	1,398,612	1,212,593	1,003,473
Total deposits	**2,450,070**	2,361,570	2,268,403	2,020,810	1,748,776
Funds borrowed	**329,757**	285,021	265,797	122,934	65,553
Other liabilities	**40,302**	42,246	34,142	51,061	51,391
Shareholders' equity	**232,412**	215,465	196,391	173,265	161,327
Total	**$3,052,541**	$2,904,302	$2,764,733	$2,368,070	$2,027,047
Ratios:*					
Income before securities gains or losses and effect of change in accounting method as a percent of:					
Average shareholders' equity	**10.35%**	10.54%	9.71%	10.66%	9.70%
Average assets	**.79**	.78	.69	.78	.77
Net interest income as a percent of average assets	**3.82**	3.53	3.17	3.41	3.53
Average shareholders' equity as a percent of:					
Average loans (net of unearned)	**16.30**	14.43	14.23	16.10	17.44
Average assets	**7.61**	7.42	7.10	7.32	7.96
Average loans to average deposits	**58.21**	63.24	60.82	53.25	52.89
Other Data:					
Number of employees	**4,906**	4,837	4,516	3,931	3,589
Number of banking offices	**204**	199	182	151	131
Number of banks	**40**	40	37	32	28
Number of shareholders	**14,890**	14,441	13,545	12,797	11,843

*Balance Sheets and Ratios have been restated to include pooled companies for all years. Pro forma information for 1972 and 1973 also includes data for three acquired banks, accounted for as purchase transactions, as if such banks had been acquired as of the beginning of the respective years.

Summary of Earnings

	Year Ended December 31, 1975	1974	1973	1972	1971
	(In Thousands of Dollars)				
Operating Income:					
Interest on loans	**$133,432**	$144,408	$116,448	$ 84,496	$ 73,329
Interest on deposits with banks	**10,354**	96	6	—	—
Income on funds sold	**3,345**	12,629	6,170	2,241	1,628
Interest and dividends on investments	**59,768**	49,088	51,828	44,684	35,129
Other operating income	**20,390**	18,608	14,413	11,422	10,482
Total operating income	**227,289**	224,829	188,865	142,843	120,568
Operating Expenses:					
Salaries, wages and employee benefits	**43,730**	38,929	34,036	29,739	27,498
Interest on deposits	**89,666**	93,817	76,778	57,642	47,336
Interest on other funds borrowed	**19,268**	28,892	23,500	6,018	3,473
Interest on 7% notes	**1,791**	1,791	1,791	1,105	—
Provision for loan losses	**12,213**	7,061	3,454	1,970	1,477
Other operating expenses	**36,072**	32,279	28,264	24,790	22,928
Total operating expenses	**202,740**	202,769	167,823	121,264	102,712
Income before income taxes, securities transactions and effect of change in accounting method	**24,549**	22,060	21,042	21,579	17,856
Applicable income taxes	**504**	(656)	1,982	3,114	2,200
Income before securities transactions and effect of change in accounting method	**24,045**	22,716	19,060	18,465	15,656
Securities transactions—Less related income taxes	**(371)**	(1,724)	(128)	1,049	2,867
Cumulative effect on prior years (to December 31, 1973) of changing income recognition method on installment loans (Note A)	**—**	6,208	—	—	—
Net income	**$ 23,674**	$ 27,200	$ 18,932	$ 19,514	$ 18,523
Average shares outstanding	**7,308,628**	7,308,628	7,308,628	7,291,307	7,259,844
Per share of common stock: (Note B).					
Income before securities transactions and cumulative effect of accounting change	**$3.29**	$3.11	$2.61	$2.54	$2.16
Securities transactions	**(.05)**	(.24)	(.02)	.14	.39
Cumulative effect on prior years (to December 31, 1973) of changing income recognition method on installment loans	**—**	.85	—	—	—
Net income	**$3.24**	$3.72	$2.59	$2.68	$2.55
Cash dividends (Note B)	**$1.155**	$1.075	$ .96	$ .92	$ .88
Pro forma amounts assuming retroactive application of change in installment loan recognition method: (Note A)					
Income before securities transactions	**$24,045**	$22,716	$20,426	$19,158	$16,454
Securities transactions	**(371)**	(1,724)	(128)	1,049	2,867
Net income	**$23,674**	$20,992	$20,298	$20,207	$19,321
Per share of common stock: (Note B)					
Income before securities transactions	**$3.29**	$3.11	$2.80	$2.63	$2.27
Securities transactions	**(.05)**	(.24)	(.02)	.14	.39
Net Income	**$3.24**	$2.87	$2.78	$2.77	$2.66

Note A—See Note 4 of Notes to Financial Statements for discussion of change in accounting method. The pro forma amounts above show the approximate effect on net income had the change in accounting method been made prior to 1971.

Note B—Income and cash dividends per common share have been adjusted for stock dividends.

Management's Discussion and Analysis of the Summary of Earnings

General

In 1975, BancOhio's income before securities transactions, on a per share basis, increased 6 percent to a record $3.29 over the $3.11 earned in 1974. Net income was $3.24 per share, as compared to $3.72 in 1974 which included a non-recurring gain of 85 cents resulting from changing the income recognition method on installment loans.

Throughout the first three quarters of 1975, the Corporation reported substantial year-to-year earnings increases primarily as a result of significantly improved interest margins. These increases were achieved during a period of unprecedented economic uncertainty and were the result of management's policy of selectively restraining growth while improving the capital position and liquidity of the Corporation's affiliated banks. This record of earnings improvements was interrupted in the fourth quarter when a significant increase was made in the provision for loan losses.

Throughout 1974 and 1975, management adopted a policy of critically reviewing the loan portfolio of affiliated banks for soundness and collectability in view of the adverse impact of the depressed economy. As a result, the provision for loan losses was continually increased to maintain a reserve adequate to cover potential losses.

Total assets of the Corporation were $3.2 billion at the end of 1975, compared to $2.9 billion at the end of 1974. Loans outstanding totaled $1,422,000,000, a 4.2 percent decrease from the $1,485,000,000 at the end of the previous year. Total assets at the end of 1975 were 9.2 percent higher than at the end of 1974, and total deposits showed a 10.1 percent increase.

The following is a summarized statement of income to assist in the analysis of the 1975 operating results. This statement separates interest-related items from those not directly affected by money market conditions and includes an amount equal to the tax benefit of tax-exempt investment securities.

	1975	1974	1973	1972	1971
	(In Thousands)				
Net interest income	**$116,561**	$102,659	$ 87,679	$80,658	$71,547
Other operating income	**20,390**	18,608	14,413	11,422	10,482
Total	**136,951**	121,267	102,092	92,080	82,029
Salaries, wages, and employee benefits	**43,730**	38,929	34,036	29,739	27,498
Other operating expenses	**36,072**	32,279	28,264	24,790	22,928
Total	**79,802**	71,208	62,300	54,529	50,426
Provision for loan losses	**12,213**	7,061	3,454	1,970	1,477
Income taxes	**20,891**	20,282	17,278	17,116	14,470
Net operating income	**$ 24,045**	$ 22,716	$ 19,060	$18,465	$15,656

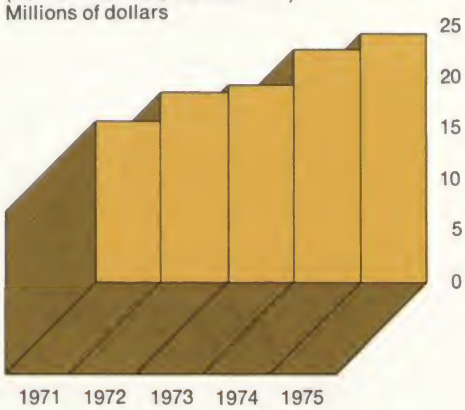
Net Interest Income

The primary factor affecting the Corporation's operations is its Net Interest Income, the difference between total interest income and the interest cost of deposits and borrowings. As shown in the table below, this source of income in 1975 was $116,561,000, an increase of 13.5 percent from that earned in 1974.

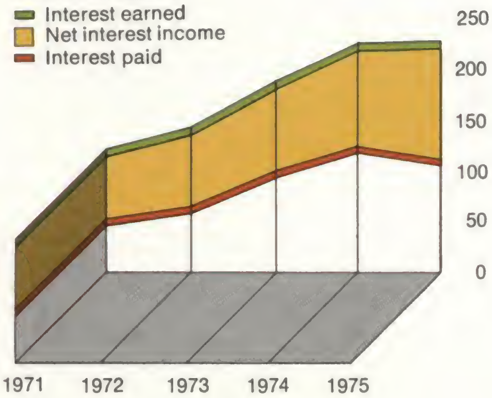
	1975	1974	1973	1972	1971
	(In Thousands)				
Income from:					
Loans	**$133,432**	$144,408	$116,448	$ 84,496	$ 73,329
Securities*	**80,155**	70,026	67,124	58,686	47,399
Other earning assets	**13,699**	12,725	6,176	2,241	1,628
Total	**227,286**	227,159	189,748	145,423	122,356
Less interest expense on:					
Interest bearing deposits	**89,666**	93,817	76,778	57,642	47,336
Borrowed funds	**21,059**	30,683	25,291	7,123	3,473
Total	**110,725**	124,500	102,069	64,765	50,809
Net interest income	**$116,561**	$102,659	$ 87,679	$ 80,658	$ 71,547

*Reflects income from tax-exempt securities on a fully taxable equivalent basis.

Net operating income
(before securities transactions)
Millions of dollars



Net interest income
Millions of dollars



Management's Discussion and Analysis of the Summary of Earnings

The increase in Net Interest Income from 1975 was primarily attributable to a significant improvement in the rate spread between earning assets and the average rate paid for funds. Both the volume of loans and the average rate earned on loans decreased from the record high levels of 1974. However, these declines were more than offset by an increase in income earned on investments and money market instruments and the lower rates paid for certificates of deposit, federal funds, and other forms of short-term borrowings.

As unemployment increased and the recession deepened in the early part of 1975, it became apparent that loan demand would be sluggish throughout the year. Therefore, management took initiatives to alter the mix of earning assets to maintain earnings from other sources, as income from lending activities decreased. The Corporation adopted a program of utilizing short-term, interest-sensitive borrowed funds (primarily federal funds) to support the acquisition of relatively short-term, higher-yielding U.S. government securities and certificates of deposit of other banks. This arbitraging activity added approximately $3,600,000, on an after tax basis, to 1975 net income.

During 1975, management of the affiliated banks continued the program of reevaluating and improving loan pricing, making the prime lending rate and the rate on new loans more responsive to changes in the cost of the banks' sources of funds. Management also intensified the review of existing loans to better anticipate potential problems in collectability. As a result of these reviews, more loans were placed on non-accrual status, reducing net income by approximately $900,000 on an after tax basis.

The following table summarizes the effect of changes in volume and rates (on a fully taxable equivalent basis) on the Corporation's Net Interest Income for 1975 and 1974.

	1975 vs 1974 Increase (Decrease) Due to Changes in			1974 vs 1973 Increase (Decrease) Due to Changes in		
	Volume	Rate	Total	Volume	Rate	Total
		(In Thousands)			(In Thousands)	
Loans	$(6,519)	$(4,457)	$(10,976)	$11,421	$16,539	$27,960
Securities	11,050	(921)	10,129	(3,772)	6,674	2,902
Other earning assets	6,782	(5,808)	974	5,385	1,164	6,549
Income	11,313	(11,186)	127	13,034	24,377	37,411
Interest-bearing deposits	6,360	(10,511)	(4,151)	5,960	11,079	17,039
Borrowed funds	4,427	(14,051)	(9,624)	2,210	3,182	5,392
Cost	10,787	(24,562)	(13,775)	8,170	14,261	22,431
Net interest income	$ 526	$13,376	$ 13,902	$ 4,864	$10,116	$14,980

Earning Assets

Average earning assets increased by $136.2 million to $2.6 billion in 1975. Income from earning assets represented 91.0 percent of total operating income as compared to 91.7 percent in 1974. The following table shows average earning assets and the rate of interest earned on those assets for the past three years.

	Average Outstanding			Average Interest Yield		
	1975	1974	1973	1975	1974	1973
		(In Millions)				
Loans:						
Commercial	**$ 563.1**	$ 624.2	$ 625.3	**8.67%**	9.79%	8.13%
Real estate	**403.2**	407.2	372.3	**7.57**	7.43	7.18
Consumer	**459.7**	462.2	382.2	**11.77**	11.47	10.61
Total	**1,426.0**	1,493.6	1,379.8	**9.36**	9.67	8.44
Securities:						
U.S. Government	**508.3**	357.1	514.5	**6.53**	6.09	6.06
State and municipal	**461.4**	468.7	380.9	**9.21**	9.31	8.45
Other	**65.6**	68.4	63.6	**6.68**	6.80	7.15
Total	**1,035.3**	894.2	959.0	**7.74**	7.83	7.00
Other earning assets:						
Time deposits with other banks	**128.4**	1.1	.1	**8.07**	8.31	6.00
Funds sold	**51.7**	116.3	62.7	**6.47**	10.86	9.85
Total	**180.1**	117.4	62.8	**7.61**	10.84	9.83
Total earning assets	**$2,641.4**	$2,505.2	$2,401.6	**8.60%**	9.07%	7.90%

Loans For the first time in many years, average loans outstanding showed a decrease. This was the result of two factors: (1) a management decision made more than two years ago to reduce the banks' dependence on purchased funds and to restrain certain types of loan growth; and (2) the rapid and significant slackening of loan demand precipitated by the recession. The loan restraint program, administered on a selective basis with consideration for the legitimate requirements of consumers and business customers, was relaxed in the later part of the year. Throughout 1975, quality standards of new and old loans were scrutinized more closely than ever before, which has resulted in the enhancement of loan portfolio quality.

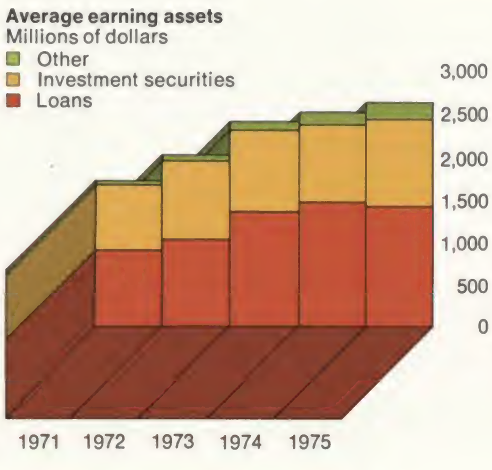
Securities In anticipation of lower interest rates, management early in 1975 decided to increase holdings of intermediate maturity, high-grade securities financed with very short-term borrowed funds and deposits in excess of lending requirements. This program included the acquisition of significant quantities of short-term U.S. government securities and certificates of deposit of other banks, both of which were purchased at attractive yields to provide the affiliate banks with increased income and liquidity. As part of this same program, some lower yielding and intermediate maturity U.S. government and agency securities and corporate bonds were liquidated as market opportunities occurred to further improve income and liquidity.

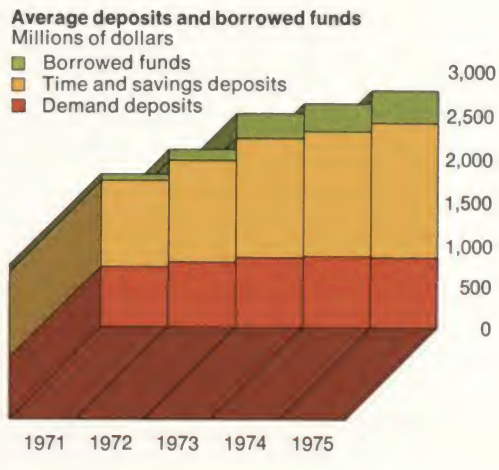
As a result of this restructuring, the average maturity of the securities portfolio (including certificates of deposit of other banks) was shortened to six years, two months at the end of 1975 from ten years, two months at the end of 1974.

Deposits and Borrowed Funds

The table below shows average outstanding levels and interest rates of deposits and borrowed funds for the past three years.

	Average Outstanding			Average Interest Rate		
	1975	**1974**	**1973**	**1975**	**1974**	**1973**
		(In Millions)				
Deposits:						
Demand	**$ 863.2**	875.4	$ 869.8			
Interest bearing:						
Savings	**865.7**	784.0	723.8	**4.94%**	4.97%	4.69%
Time	**721.2**	702.1	674.8	**6.50**	7.81	6.51
Total	**1,586.9**	1,486.1	1,398.6	**5.65%**	6.31%	5.57%
Borrowed funds:						
Fed funds and other short-term borrowings	**329.8**	285.0	265.8	**5.84%**	10.14%	8.89%
7% Notes	**25.0**	25.0	25.0	**7.16**	7.16	7.16
Total	**354.8**	310.0	290.8	**5.94%**	9.90%	8.72%
Total deposits and borrowed funds	**$2,804.9**	$2,671.5	$2,559.2			





Management's Discussion and Analysis of the Summary of Earnings

Deposits Total average deposits increased $88.6 million in 1975. However, this increase was also accompanied by a significant change in deposit patterns, resulting in a decrease of $12.2 million in demand and an increase of $100.8 million in interest paying time and savings deposits. The change in deposit structure is considered to be, in part, a result of the national recession as individuals and corporate treasurers cut back on spending, maintaining greater amounts of cash for investment and savings opportunities.

Borrowed Funds Since late 1973, the Corporation's stated policy has been to become less dependent on volatile sources of borrowed funds. Although total average borrowings increased by $44.8 million in 1975, borrowings to support the lending function actually decreased during the year as loan portfolios were reduced and the affiliate banks improved their liquidity position. Total borrowings were increased to purchase short-term government securities and certificates of deposit of other banks which had yield rates considerably above the rates paid on the borrowed funds. At year-end 1975 borrowings were more than offset by high-quality investment portfolio assets maturing within six months.

Provision for Loan Losses

The 1975 provision for loan losses was $12,213,000, an increase of $5,152,000 and $8,759,000 over 1974 and 1973, respectively. This provision was essentially equal to the amount of actual loans charged off during the year and included $5,900,000 above the minimum required by the five-year moving average. During the past two years it became clear that the nation's economic woes had adversely affected certain of our borrowers' financial condition and ability to pay. This was especially true for those loans involving interim financing for real estate related loans which are included in the commercial loan category.

At year end, the valuation reserve for loan losses totaled $13,362,000, as compared to $13,408,000 at the end of 1974, and was equal to .94 percent of loans outstanding.

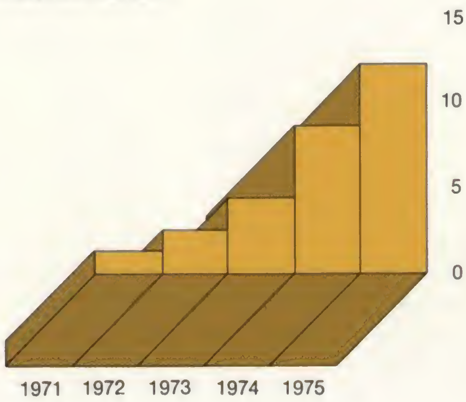
A summary of net charge-offs is presented below:

	Net Charge-Offs			Net Charge-Offs As a % of Average Loans		
	1975	1974	1973	1975	1974	1973
		(In Thousands)				
Commercial loans	**$ 7,681**	$4,014	$1,415	**1.36%**	.64%	.23%
Real estate loans	**52**	113	47	**.01**	.03	.01
Consumer loans	**4,526**	4,624	3,118	**.98**	1.00	.82
Total	**$12,259**	$8,751	$4,580	**.86%**	.59%	.33%

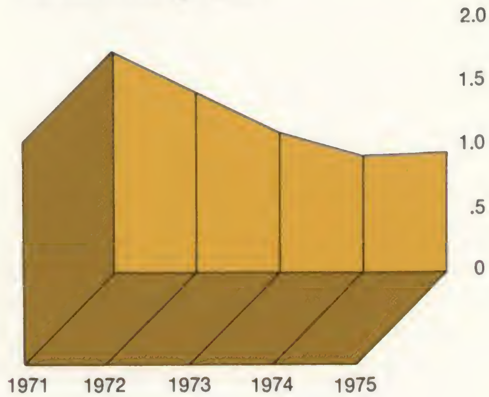
Other Operating Income

Other operating income increased $1,782,000 or 9.6 percent in 1975. This increase was principally the result of repricing of deposit and other service charges, increased emphasis on loan related fees, and improved participation by installment loan customers in credit life and accident and health insurance coverage.

Net loan losses
Millions of dollars



Valuation reserve
Per cent of average loans



Salaries, Employee Benefits, and Other Operating Expenses

The following is a summary of all other operating expenses:

	Amount 1975	Amount 1974	Amount 1973	% of Operating Income 1975	% of Operating Income 1974	% of Operating Income 1973
		(In Thousands)				
Salaries and wages	**$38,122**	$34,031	$29,765	**16.8%**	15.1%	15.7%
Employee benefits	**5,608**	4,898	4,271	**2.5**	2.2	2.3
Total salaries, wages, and benefits	**43,730**	38,929	34,036	**19.3**	17.3	18.0
Other operating expenses:						
Advertising and promotion	**2,950**	2,634	2,388	**1.3**	1.2	1.4
Occupancy	**6,367**	5,994	5,110	**2.8**	2.7	2.7
Equipment	**5,310**	4,209	4,233	**2.3**	1.9	2.2
Taxes (other than income)	**4,813**	4,462	4,129	**2.1**	2.0	2.2
Stationery and postage	**4,234**	4,107	2,498	**1.9**	1.8	1.3
Miscellaneous	**12,398**	10,873	9,911	**5.4**	4.8	5.2
Total other operating expenses	**36,072**	32,279	28,264	**15.8**	14.4	15.0
Total	**$79,802**	$71,208	$62,300	**35.1%**	31.7%	33.0%

Salaries, wages and employee benefits increased by 12.3 percent in 1975 and 14.4 percent in 1974. These increases were due to the continued expansion of customer services and the Corporation's policy to maintain a competitive salary posture to retain and attract qualified personnel.

The increase in occupancy expense is the result of higher utility costs and rent escalations under existing lease agreements. The higher equipment cost is primarily due to the continual upgrading of data processing equipment and the expansion of automated teller and *Anytime Bank* equipment.

Continuing advances in the costs of goods and services necessary to daily operations account for the increases in the other operating expense items. Miscellaneous expense includes telephone, transportation, and credit card processing fees among many smaller expense items.

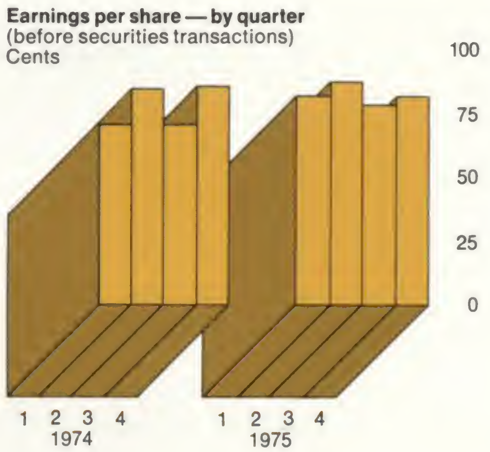
Shareholders' Equity

As in any financial institution, future asset and earnings growth is dependent on the internal growth rate of equity capital. In 1975, total shareholders' equity increased 7.2 percent from $212.7 million in 1974 to $227.9 million in 1975. This increase resulted entirely from the retention of earnings even though dividends were increased by $586,000 to $8.4 million. In the fourth quarter of 1975, the anticipated dividend rate per share was increased to $1.20 and with the payment of a year-end special dividend of 3 cents per share, total dividends for 1975 were $1.15½ per share. Based on 1975 per share earnings of $3.29, the dividend payout rate was 35.1 percent.

The following table sets forth key quarterly data, including dividends, book value, and market price on a per share basis.

	Operating Earnings Per Share	Dividends Per Share	Book Value Per Share	Stock Market Price Range* Low	Stock Market Price Range* High
1974					
First Quarter	$ .71	$ .25	$27.73	$19	$22
Second Quarter	.84	.25	28.19	16½	22
Third Quarter	.71	.25	28.59	13¾	16¼
Fourth Quarter	.85	.325	29.10	11	15½
Year	$3.11	$1.075	$29.10	$11	$22
1975					
First Quarter	$ .82	$ .275	$29.53	$11¼	$16¼
Second Quarter	.87	.275	30.15	13	15⅝
Third Quarter	.78	.275	30.65	13½	14¾
Fourth Quarter	.82	.33	31.19	13	15¾
Year	$3.29	$1.155	$31.19	$11¼	$16¼

*Based on over-the-counter bid price quotations.



Consolidated Balance Sheet

	December 31, 1975	1974
Assets		
Cash and due from banks	$ 324,393,839	$ 331,039,973
Money market instruments:		
Interest bearing deposits with banks	206,809,203	15,021,324
Funds sold	21,650,000	188,650,000
Total money market instruments	228,459,203	203,671,324
Securities (Note 5):		
U.S. Treasury securities	572,113,345	241,452,909
Obligations of other U.S. government agencies	41,157,922	61,628,058
Obligations of states and political subdivisions	447,080,850	450,244,579
Other securities	60,889,916	70,419,420
Total securities	1,121,242,033	823,744,966
Loans:		
Commercial	543,291,460	606,541,354
Real estate	407,859,207	406,235,003
Consumer (less unearned income of $64,213,270 in 1975 and $67,645,087 in 1974)	470,694,769	472,617,349
Total loans	1,421,845,436	1,485,393,706
Less valuation reserve for loan losses (Note 6)	13,361,769	13,408,215
Loans–net	1,408,483,667	1,471,985,491
Direct lease financing (less unearned income of $3,516,997 in 1975 and $3,687,811 in 1974)	20,162,154	18,565,625
Banking premises and equipment—Less accumulated depreciation (Note 7)	73,612,172	58,343,825
Interest receivable	27,750,417	20,890,420
Other assets	11,435,055	16,162,631
Total	$3,215,538,540	$2,944,404,255
Liabilities and Shareholders' Equity		
Deposits:		
Demand	$ 942,068,131	$ 894,502,863
Savings	913,558,910	814,083,996
Time	801,083,023	705,498,551
Total savings and time	1,714,641,933	1,519,582,547
Total deposits	2,656,710,064	2,414,085,410
Funds borrowed	253,006,427	247,910,524
Other liabilities (Notes 6 and 8)	52,885,533	44,704,070
7% Notes payable, due in 1979	25,000,000	25,000,000
Total liabilities	2,987,602,024	2,731,700,004
Shareholders' Equity:		
Capital Stock:		
Preferred stock - $25.00 par value; 800,000 shares authorized but unissued.		
Common stock - $6.66⅔ par value; authorized 10,000,000 shares, outstanding - 7,308,628 shares (Note 3)	48,724,209	48,724,209
Capital surplus	87,133,574	87,133,574
Retained earnings	92,078,733	76,846,468
Total shareholders' equity	227,936,516	212,704,251
Total	$3,215,538,540	$2,944,404,255

See Notes to Financial Statements

Consolidated Statement of Income

	Year Ended December 31, 1975	1974
Operating Income:		
Interest on loans	$133,432,034	$144,408,166
Interest on deposits with banks	10,354,376	96,199
Income on funds sold	3,345,370	12,629,158
Interest and dividends on:		
U.S. Treasury securities	30,241,131	16,534,682
Obligations of other U.S. government agencies	2,962,565	5,219,902
Obligations of states and political subdivisions	22,086,441	22,683,019
Other securities	4,477,519	4,649,818
Service charges on deposit accounts	5,452,660	4,877,562
Other operating income	14,937,191	13,730,458
Total operating income	227,289,287	224,828,964
Operating Expenses:		
Salaries and wages	38,122,344	34,030,985
Pensions and other employee benefits	5,607,205	4,898,261
Interest on deposits	89,665,502	93,817,499
Interest on other funds borrowed	19,268,402	28,891,975
Interest on 7% Notes	1,790,833	1,790,833
Occupancy expense	6,367,087	5,994,034
Provision for loan losses (Note 6)	12,212,548	7,060,562
Taxes other than income taxes	4,813,480	4,462,425
Other operating expenses	24,892,944	21,822,336
Total operating expenses	202,740,345	202,768,910
Income before income taxes, securities losses and effect of change in accounting method	24,548,942	22,060,054
Applicable income taxes (Note 8)	504,414	(656,000)
Income before securities losses and effect of change in accounting method	24,044,528	22,716,054
Securities losses—Less related income taxes of $342,000 in 1975 and $1,591,000 in 1974	(370,798)	(1,723,535)
Income before effect of change in accounting method	23,673,730	20,992,519
Cumulative effect on prior years (to December 31, 1973) of changing income recognition method on installment loans—Less related income taxes of $5,731,000 (Note 4)	—	6,208,131
Net income	$ 23,673,730	$ 27,200,650
Average shares outstanding	7,308,628	7,308,628
Earnings per common share:		
Income before securities losses and effect of change in accounting method	$3.29	$3.11
Securities losses	(.05)	(.24)
Cumulative effect on prior years (to December 31, 1973) of changing income recognition method on installment loans	—	.85
Net Income	$3.24	$3.72

See Notes to Financial Statements

Consolidated Statement of Retained Earnings

	Year Ended December 31, 1975	1974
Balance, beginning of year:		
As previously reported		$52,335,485
Reclassification of contingency portion of the reserve for loan losses (Note 2)		5,165,608
As restated	**$76,846,468**	57,501,093
Net income	**23,673,730**	27,200,650
Dividends paid—Cash ($1.155 per share in 1975 and $1.075 in 1974)	**(8,441,465)**	(7,855,275)
Balance, end of year	**$92,078,733**	$76,846,468

See Notes to Financial Statements

Consolidated Statement of Changes in Financial Position

	Year Ended December 31, 1975	1974
Source of Funds:		
Net income	**$ 23,673,730**	$ 27,200,650
Non-cash charges to income—net	**15,732,656**	4,053,974
Funds provided from operations	**39,406,386**	31,254,624
Increase in deposits	**242,624,654**	
Decrease in securities		237,637,125
Decrease in funds sold	**167,000,000**	
Decrease in loans	**51,289,276**	6,333,938
Increase in funds borrowed	**5,095,903**	
Other	**3,839,455**	
Total	**509,255,674**	275,225,687
Application of Funds:		
Increase in securities	**297,497,067**	
Increase in funds sold		146,095,000
Purchase of interest bearing deposits with banks	**191,787,879**	15,021,324
Decrease in funds borrowed		98,691,573
Additions to banking premises and equipment	**18,175,397**	11,764,390
Cash dividends paid	**8,441,465**	7,855,275
Decrease in deposits		1,497,152
Other		1,050,944
Total	**515,901,808**	281,975,658
Decrease in cash and due from banks	**$ 6,646,134**	$ 6,749,971

See Notes to Financial Statements

1. Summary of Significant Accounting and Reporting Policies

The accounting and reporting policies of BancOhio Corporation conform to generally accepted accounting principles and to general practices within the banking industry. The following is a summary of the significant policies.

Basis of Presentation The consolidated financial statements include the accounts of BancOhio Corporation and its affiliated banking and non-banking subsidiaries. All significant intercompany transactions have been eliminated.

Business combinations recorded as purchase transactions are included from the respective dates of acquisition. The excess of the purchase price over the fair value of the net assets so acquired is amortized over the periods estimated to be benefited on a straight-line basis not exceeding forty years and is included in other assets.

All significant business combinations recorded as poolings of interests are included for all periods presented.

Securities Securities are carried in the consolidated balance sheet at cost, adjusted for amortization of premiums and accretion of bond discount.

Valuation Reserve for Loan Losses The provision for loan losses included in operating expenses is based on a historical five-year average ratio of net charge-offs to average loans and such other factors which, in management's judgment, deserve recognition under existing economic conditions in estimating possible loan losses. These provisions, less net charge-offs, comprise the valuation reserve which is deducted from loans and is available for future loan losses.

Banking Premises and Equipment Banking premises and equipment are stated at cost less accumulated depreciation. Depreciation charged to operating expense is computed primarily using the sum-of-the-years digits and straight-line methods over the estimated useful lives of the assets.

Income Taxes There are certain income and expense amounts in the financial statements that are recognized in different time periods for income tax purposes (see Note 8). Appropriate provisions for deferred income taxes are made in recognition of such timing differences. The investment tax credit on direct lease financing transactions is deferred and amortized to income over the investment recovery period. For other property, the investment credit is accounted for as a reduction of the provision for income taxes on the flow through method.

Other Interest income on commercial and real estate mortgage loans is based on the principal amount outstanding. Interest income on installment loans is recognized generally on the "Rule of 78's" method (sum-of-the-months digits). See Note 4 for change in method adopted in 1974.

Income on direct financing leases is recognized on a basis to achieve a level rate of return on the net lease investment over the investment recovery period. The estimated residual value of leased property (which does not exceed 10 percent of original cost at initiation of the lease) is recognized over the life of the related leases.

The provision for pension expense represents normal service cost as computed under accepted actuarial cost methods and assumptions, and is funded as accrued.

2. Changes in Financial Statement Presentation

At December 31, 1975, the Corporation made certain changes in the presentation of its financial statements to follow general practices adopted by the banking industry in 1975. The consolidated balance sheet has been reclassified to reflect loans net of unearned income on consumer loans and the valuation reserve for loan losses. The contingency portion of the reserve for loan losses has been included in retained earnings and the deferred taxes relating to the contingency reserve in other liabilities. Accordingly, the 1974 financial statements have been reclassified to conform to the financial statement presentation for the current year.

3. Acquisitions—1974

In January 1974, BancOhio acquired all the capital stock of The Imperial State Bank, Vandalia, and The Cummings Bank Company, Carrollton, for 51,017 and 33,597 shares of the Corporation's common stock, respectively. These transactions have been accounted for as poolings of interests and, accordingly, the financial statements have been restated to include these banks for all periods.

The aforementioned acquisitions are not material to the consolidated financial condition or results of operations of the Corporation and, accordingly, their effect is not separately shown.

4. Change of Accounting Method—1974

Effective January 1, 1974, BancOhio changed its method of accounting for interest income on installment loans to the Rule of 78's method. The new method was applied retroactively to installment loans outstanding at January 1, 1974. Interest income in prior years was generally computed using the straight-line method. This accounting change was made to more accurately reflect income as it is earned by recognizing interest income in proportion to the outstanding principal balance. This method is used throughout most of the banking industry.

The cumulative effect on prior years of this accounting change of $6,208,000 ($11,939,000 less $5,731,000 tax effect) was included in 1974 net income.

5. Securities

The estimated market values of securities at December 31, 1975 and 1974, are summarized as follows:

	1975	1974
U. S. Treasury securities	**$ 562,797,000**	$228,497,000
Obligations of other U. S. government agencies	**38,177,000**	58,201,000
Obligations of states and political subdivisions	**395,929,000**	392,598,000
Other securities	**56,733,000**	63,941,000
Total	**$1,053,636,000**	$743,237,000

At December 31, 1975 and 1974, securities carried at $525,021,000 and $541,910,000, respectively, were pledged to secure public deposits and for other purposes, as required by law. At December 31, 1975, obligations of states and political subdivisions include $1,830,000 at amortized book value ($1,336,000 market value) of New York City general obligation bonds.

A comparison of average maturities of investment securities and interest bearing deposits with banks at December 31, 1975 and 1974, is as follows:

	1975	1974
Securities:		
U.S. Treasury securities	**2 yrs., 11 mos.**	6 yrs., 5 mos.
Obligations of other U.S. government agencies	**9 yrs., 11 mos.**	8 yrs., 2 mos.
Obligations of states and political subdivisions	**12 yrs., 3 mos.**	13 yrs., —
Other securities	**9 yrs., 1 mos.**	8 yrs., 9 mos.
Total securities	**7 yrs., 3 mos.**	10 yrs., 4 mos.
Interest bearing deposits with banks	**— , 3 mos.**	— , 5 mos.
Total	**6 yrs., 2 mos.**	10 yrs., 2 mos.

The maturities and weighted average interest rates (computed on a taxable equivalent basis) of investment securities and interest bearing deposits with banks at December 31, 1975, are as follows:

	Within 1 Year Amount	Rate	After 1 but Within 5 Years Amount	Rate	After 5 but Within 10 Years Amount	Rate	After 10 Years Amount	Rate
	(Par Value, Dollars in Thousands)							
Securities:								
U.S. Treasury securities	$119,747	6.0%	$373,356	6.7%	$ 28,108	6.4%	$ 52,157	5.5%
Obligations of other U.S. government agencies	4,152	5.9	8,250	6.6	14,399	5.8	14,732	6.4
Obligations of states and political subdivisions	18,731	9.4	55,361	8.0	112,217	8.7	253,974	9.7
Other securities	4,400	4.9	40,421	6.6	39	4.9	16,054	7.1
Total securities	147,030	6.4	477,388	6.8	154,763	8.0	336,917	8.8
Interest bearing deposits with banks	206,675	6.9	—	—	—	—	—	—
Total	$353,705	6.7%	$477,388	6.8%	$154,763	8.0%	$336,917	8.8%

6. Valuation Reserve for Loan Losses

Transactions in the valuation reserve for loan losses for the years ended December 31, 1975 and 1974, are summarized below:

	1975	1974
Balance, beginning of year	**$13,408,215**	$15,098,938
Add—provision charged to operating expenses	**12,212,548**	7,060,562
Deduct:		
Losses charged to reserve	**15,484,662**	10,872,770
Less recoveries	**3,225,668**	2,121,485
Net loan losses	**12,258,994**	8,751,285
Balance, end of year	**$13,361,769**	$13,408,215

At December 31, 1975 and 1974, the cumulative provisions for loan losses for income tax purposes exceeded the cumulative provisions for financial reporting purposes by $10,757,621 and $11,500,668, respectively. Deferred income taxes applicable thereto, amounting to $5,163,658 at December 31, 1975 and $5,524,797 at December 31, 1974, are included in other liabilities in the consolidated balance sheet.

See Note 2 for explanation of change in financial statement presentation of reserve in 1975.

7. Banking Premises and Equipment

The major categories of banking premises and equipment and accumulated depreciation at December 31, 1975 and 1974 are summarized as follows:

	1975	1974
Land	**$15,883,916**	$15,622,856
Buildings and improvements	**46,308,663**	43,078,549
Equipment	**20,207,743**	17,357,818
Construction in progress (Note 10)	**16,477,395**	4,648,840
Total	**98,877,717**	80,708,063
Less accumulated depreciation	**25,265,545**	22,364,238
Banking premises and equipment—net	**$73,612,172**	$58,343,825
Depreciation expense for the year	**$ 2,907,050**	$ 2,568,121

The Corporation and its subsidiaries have entered into noncancellable lease agreements with respect to certain bank premises and equipment. The minimum annual rental commitment under these leases, exclusive of taxes and other charges payable by the lessees, is 1976 - $3,188,000, 1977 - $3,016,000, 1978 - $2,597,000, 1979 - $1,322,000, 1980 - $985,000, 1981-85 - $4,374,000, 1986-90 - $2,741,000, 1991-95 - $1,464,000, with $227,000 of commitments extending beyond 1995.

Total rental expense for the years ended December 31, 1975 and 1974, including cancellable and noncancellable leases, was approximately $3,875,000 and $2,836,000, respectively.

8. Federal Income Taxes

BancOhio Corporation and its subsidiaries file a consolidated Federal income tax return. The current and deferred income tax provisions (refunds) included in the Consolidated Statement of Income are as follows:

	Current	Deferred	Total
	(Dollars in Thousands)		
1975:			
Applicable income taxes on income before securities transactions	**$ (15)**	**$519**	**$ 504**
Income tax effect on net securities losses	**(342)**	**—**	**(342)**
Total	**$(357)**	**$519**	**$ 162**
1974:			
Applicable income taxes on income before securities transactions	$(1,768)	$1,112	$ (656)
Income tax effect on net securities losses	(1,591)	—	(1,591)
Income tax effect on cumulative effect of accounting change	573	5,158	5,731
Total	$(2,786)	$6,270	$3,484

Deferred income taxes result from accounting for certain income and expense items in different time periods for financial statement purposes than for income tax purposes. The source of these differences arising in 1975 and 1974 and the tax effect of each are summarized below:

	1975	1974
	(Dollars in Thousands)	
Income on direct and leveraged lease financing	**$1,587**	$2,330
Accretion of discount	**225**	(613)
Loan loss provision	**(611)**	748
Accelerated depreciation	**480**	535
Cumulative effect of accounting change	**(606)**	5,158
Investment tax credit carryforward	**(612)**	(1,768)
Other - net	**56**	(120)
Total	**$ 519**	$6,270

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying income before taxes by the statutory Federal income tax rate is as follows:

	1975	1974
	(Dollars in Thousands)	
Income before taxes:		
Income before securities transactions	**$24,549**	$22,060
Securities losses	**(713)**	(3,314)
Cumulative effect of accounting change	**—**	11,939
Total	**$23,836**	$30,685

	1975 Amount	%	1974 Amount	%
	(Dollars in Thousands)			
Computed tax at statutory Federal rate	**$11,441**	**48.0%**	$14,729	48.0%
Increase (decrease) in taxes resulting from:				
Tax-exempt interest	**(10,549)**	**(44.2)**	(10,617)	(34.5)
Investment tax credit	**(738)**	**(3.1)**	(691)	(2.3)
Other (net)	**8**	**—**	63	.2
Total	**$ 162**	**.7%**	$ 3,484	11.4%

Deferred income taxes of approximately $19,146,000 and $17,956,000 are included in other liabilities in the consolidated balance sheet at December 31, 1975 and 1974, respectively. For the years 1975 and 1974, the Corporation, for tax reporting purposes, has had a net operating loss. Estimated refunds of approximately $357,000 and $2,786,000 are included in other assets at December 31, 1975 and 1974, respectively. Because of the net operating losses, no investment tax credits were utilized in the income tax returns for 1975 and 1974. As a result, investment tax credit carryforwards of $2,380,000 and $1,768,000 are included in other assets at December 31, 1975 and 1974, respectively.

9. Pension Plans

Substantially all employees of the Corporation and the affiliated banks are eligible to participate in non-contributory trusteed pension plans. Pension expense, including amortization of prior service cost over approximately ten years, for the years ended December 31, 1975 and 1974 was $1,527,000 and $1,392,000, respectively. Unfunded past service cost at December 31, 1975, was $5,600,000.

10. Commitments and Contingent Liabilities

BancOhio, through its largest affiliate, The Ohio National Bank, is currently constructing a 25-story office building, in downtown Columbus, Ohio. Land, building, and furnishings are expected to cost approximately $36 million. Portions of the building are expected to be ready for occupancy during the second half of 1976. BancOhio and The Ohio National Bank, combined, will occupy approximately 50 percent of the net rentable area in the new building. The remainder of the net rentable area will be leased to others.

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as commitments to extend credit and guarantees (including standby letters of credit of $7,835,000) at December 31, 1975, which are not reflected in the accompanying financial statements. The Corporation does not anticipate any material losses as a result of these transactions.

Auditors' Opinion

HASKINS & SELLS
Certified Public Accountants
250 East Broad Street
Columbus, Ohio 43215

January 21, 1976

To the Shareholders and Directors
of BancOhio Corporation:

We have examined the consolidated balance sheet of BancOhio Corporation and subsidiaries as of December 31, 1975 and 1974 and the related consolidated statements of income, retained earnings, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of BancOhio Corporation and subsidiaries at December 31, 1975 and 1974 and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 1974, in the method of recognizing income on installment loans as described in Note 4 to the financial statements.

Haskins & Sells

Directors

John L. Burgoon
Senior Vice President and Secretary of BancOhio Corporation

Theodore M. Garver[2]
Partner, Jones, Day, Reavis and Pogue, Attorneys

John B. Gerlach[1]
President, Lancaster Colony Corporation of Columbus, manufacturers and distributors of diversified household products

Vincent H. Johnson
Chairman of the Board and Chief Executive Officer, Akron National Bank and Trust Company, a BancOhio affiliate

George W. Kauffman[2]
President, Kauffman-Lattimer Co., Columbus, wholesale drug distributors

William E. MacDonald[2]
Vice President, Ohio Bell Telephone Company, a telephone communications and service affiliate of AT&T

Walter C. Mercer
President and Chief Executive Officer, The Ohio National Bank of Columbus, a BancOhio affiliate

Henry M. O'Neill, Jr.[1]
President and Chairman of the Board, Beverage Management, Inc., bottlers and distributors of beverages

Robert G. Stevens
Chairman, President and Chief Executive Officer of BancOhio Corporation

John F. Wolfe[1]
President and Publisher, The Dispatch Printing Company, publishers of the Columbus Dispatch

Richard M. Wolfe
President of RadiOhio, Inc., WBNS-TV, Inc., and VideoIndiana, Inc., operators of radio and television stations

1-Directors Audit Committee
2-Directors Compensation Committee

Senior Executive Officers

Robert G. Stevens
Chairman, President and Chief Executive Officer

John L. Burgoon
Senior Vice President and Secretary

Robert M. Edwards
Vice President, Legal and Regulatory

James C. Hoover
Vice President, Credit Services

Dan L. Huffer
Vice President and Treasurer

Alan D. Johnson
Vice President, Investment Management

James W. Wentling
Vice President, Marketing Services

Affiliate Banks

The Ohio National Bank of Columbus
Akron National Bank & Trust Company, Akron
The Logan County Bank, Bellefontaine
The First National Bank of Cadiz
The Central National Bank at Cambridge
The Cummings Bank Company, Carrollton
The First National Bank of Chillicothe
The Second National Bank of Circleville
The Capital National Bank, Cleveland
The Ohio State Bank, Columbus
First National Bank of Coshocton
The First National Bank of Delaware
The Peoples Savings Bank Co., Delta
The First National Bank at East Palestine
The Peoples National Bank of Greenfield
The Citizens National Bank of Ironton
The First National Bank of Jackson
The Kenton Savings Bank, Kenton
The Hocking Valley National Bank of Lancaster
The Farmers and Merchants Bank of Logan
The First National Bank of London
Citizensbank, National Association, Loveland
The First National Bank of Marysville
The Ohio State Bank of Medina
The Adams Bank, Millersburg
The Knox County Savings Bank, Mount Vernon
The Community Bank, Napoleon
The First National Bank of Newark
The Perry County Bank, New Lexington
The Ohio Savings and Trust Company, New Philadelphia
The Niles Bank Company, Niles
The Citizens Banking Company, Perrysburg
The National Bank of Portsmouth
The Western Security Bank, Sandusky
The First National Bank of Springfield
First National Bank of Tiffin
The Ohio State Bank of Vandalia
The First National Bank of Washington Court House
The First National Bank of Wilmington
The Citizens National Bank in Zanesville

Non-Bank Affiliates

First Realty Corporation
Midwest Econometrics, Inc.
Ohio BancLease, Inc.
The Unit Supply Company

Annual Meeting
The 1976 Annual Meeting of Shareholders of BancOhio Corporation will be held at 10 AM on Wednesday, March 24, at the Neil House Motor Hotel, Columbus, Ohio. All shareholders are invited to attend.

Form 10-K A copy of the Securities and Exchange Commission Form 10-K detailing the activities and financial results of BancOhio Corporation during 1975 will be furnished free of charge to any shareholder requesting it. Address any inquiries to Secretary, BancOhio Corporation, 51 North High Street, Columbus, Ohio 43216.

Transfer Agent and Registrar:
The Ohio National Bank of Columbus, 51 North High Street
Columbus, Ohio 43216

The shares of BancOhio Corporation (NASDAQ Symbol BOHI) are actively traded in the Over-the-Counter Market.

BancOhio Corporation
51 North High Street
Columbus, Ohio 43216